



SF 479 – Methane Digester Property Tax Exemption (LSB2108SV)
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Fiscal Note Version – New

Description

Senate File 479 exempts all electrical generation facilities converting methane gas to electricity from the regular property tax. Current law exempts only methane gas conversion property operating in conjunction with a publicly-owned sanitary landfill. The Bill also specifies that the new exemption does not apply to the electrical generation replacement tax, should the generation property be subject to the replacement tax. The property tax exemption is permanent and applies to property tax assessment years beginning on or after January 1, 2010 (FY 2012).

Chapter 25B (State Mandates – Funding Requirements), Code of Iowa, may apply to Senate File 479. The Bill makes Section 25B.7, Code of Iowa not applicable. That Section allows local governments to not extend new property tax benefits to taxpayers if the General Assembly does not provide replacement funding for the benefit.

Assumptions

- At least one facility has been constructed and is operational that could benefit from this property tax exemption. The construction cost of that facility is listed in a State assistance application as \$5.0 million.
- This facility will be subject to regular property tax, not electrical generation replacement tax.
- The statewide average commercial/industrial property tax rate in FY 2008 was \$37.68 per thousand dollars of taxable value.
- The State foundation levy is \$5.40 per thousand dollars of taxable value.

Fiscal Impact

A single facility assessed for property tax purposes at \$5.0 million and classified as commercial or industrial would pay \$188,400 per year in consolidated property tax. The property tax exemption would first impact FY 2012 State and local budgets. The annual impact of exempting \$5.0 million from property tax is estimated to be:

- State General Fund School Aid appropriation = \$27,000
- Local property tax = \$161,400.

This fiscal estimate uses the stated construction cost as the assessed value of the property. The assessed value will be determined through the assessment process and could be different than the \$5.0 million used for this projection.

There may be other existing property currently subject to property tax that could qualify for the exemption, and additional projects put in service in the future would add to the estimated State and local fiscal impact.

Sources

Legislative Services Agency analysis
Iowa Power Fund application for Amana Farms Anaerobic Digester

/s/ Holly M. Lyons

April 13, 2009

The fiscal note for this bill was prepared pursuant to [Joint Rule 17](#) and the correctional and minority impact statements were prepared pursuant to [Section 2.56](#), [Code of Iowa](#). Data used in developing this fiscal note, including correctional and minority impact information, is available from the Fiscal Services Division of the Legislative Services Agency upon request.
